

Mark Sanford, Chairman
Governor

Grady L. Patterson, Jr.
State Treasurer

Richard Eckstrom
Comptroller General

State Budget and Control Board South Carolina Retirement Systems



Peggy G. Boykin, CPA
Director

803-737-6800

1-800-868-9002

Hugh K. Leatherman, Sr.
Chairman,
Senate Finance Committee

Robert W. Harrell, Jr.
Chairman,
Ways and Means Committee

Frank W. Fusco
Executive Director

April 7, 2004

You are invited to submit proposals in accordance with the requirements of this solicitation, which are contained herein.

This solicitation is being offered by the State Retirement Systems Investment Panel (Panel) and is exempt from the South Carolina Procurement Code by action of the State Budget and Control Board (Board) on February 14, 2002, pursuant to South Carolina Code Section 11-35-710. The Panel will make the determination of the successful offeror.

Responses (one (1) original and twelve (12) copies) must be submitted no later than 1:00 p.m. on **April 28, 2004**. Company and promotional materials should be bound separately. Facsimile transmissions of responses will not be accepted.

Responses should be sent to:

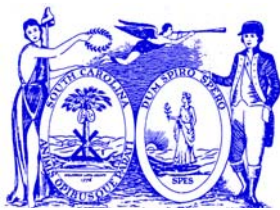
Dianne T. Poston
Assistant Director
South Carolina Retirement Systems
202 Arbor Lake Drive
Columbia, SC 29223

A notification of intent to respond must be received by 4:30 p.m. on **April 14, 2004**. You may submit this information by facsimile transmission to (803) 737-6947, "ATTENTION Dianne Poston." Please include your name, fax number, and e-mail address.

Written questions may be submitted until 1:00 p.m. on **April 16, 2004**, and may be emailed to Dianne Poston at dposton@retirement.sc.gov, with "Consultant RFP 4/04" indicated in the subject line. No questions, requests for information, or requests for clarification will be addressed after this date. Responses will be sent to all who have indicated intent to respond.

RFP Schedule

Notification of intent to respond	April 14, 2004 by 4:30 p.m.
Question period ends	April 16, 2004 by 1:00 p.m.
Responses due	April 28, 2004 by 1:00 p.m.



SOUTH CAROLINA

April 7, 2004

Open letter to vendors/potential bidders

STATE RETIREMENT SYSTEMS INVESTMENT PANEL

Edwin S. Pearlstine, Jr.,
Chairman
Charleston, South Carolina

Arthur Bjontegard
Columbia, South Carolina

Blaine Ewing
Charleston, South Carolina

S. Hunter Howard, Jr.
Columbia, South Carolina

Mary M. Kennemur
Columbia, South Carolina

Street/Delivery address:

Gressette-Collins Building
Fontaine Business Center
202 Arbor Lake Drive
Columbia, SC 29223

Mailing address:

Post Office Box 11960
Capitol Station
Columbia, SC 29211-1960

Telephone: 803-737-6937

FAX: 803-737-6947

You have received the enclosed RFP for **equity investment consultant services** either:

1. At your specific request; or
2. By virtue of recommendation; or
3. By way of listing on a published database of investment consultants.

The following comments may help you make your business decision regarding any response. In an effort to disclose, as fully as possible, the intent of the State Retirement Systems Investment Panel (Panel) with respect to our principles of review of proposals, I submit the following:

1. The Panel has agreed to the principle of avoiding potential conflict of interest in either fact or appearance. To that end, we will require that the selected consultant cannot be a candidate for any investment management activity, but will serve the Panel, the South Carolina Budget and Control Board (Board), and the South Carolina Retirement Systems (Retirement Systems) as consultant only. Furthermore, we require all proposals to disclose any and all investment managers for whom the bidder serves as an investment consultant.
2. The Panel will place high value on the ability of the consultant to serve as full-fledged team member in the Retirement Systems' investments process. This ability will be characterized by recognition that key roles will be to communicate extensively and effectively with numerous interested parties in the state. The Panel will also consider willingness to embrace and reflect ethical standards applicable to Panel members and staff as evidence of compatibility (see #1 above).

Thank you for your interest. I hope this expression of our expectations will be helpful as you decide whether or not to respond to the enclosed RFP.

Respectfully,

Edwin S. Pearlstine, Jr.
Chairman
State Retirement Systems Investment Panel

PART I

SCOPE OF PROPOSAL

All proposals must be complete and carefully worded and must convey all of the information requested (PROPOSAL CONTENTS) in order to be considered responsive. If the proposal fails to conform to the essential requirements of the RFP, the State Retirement Systems Investment Panel (Panel) and the Panel alone will be the judge as to whether that variance is significant enough to consider the RFP non-responsive and therefore not considered for award. Proposals which include modifications to the contract form (Attachment A) of the RFP may be deemed non-responsive and therefore not considered for award.

The resulting contract from this solicitation, if any, will be between the selected consultant and the South Carolina Budget and Control Board (Board) acting as trustee of the retirement plans administered by the Division of Retirement Systems (South Carolina Retirement Systems or Retirement Systems) and the State Retirement Systems Investment Panel (Panel), hereinafter referred to collectively as the "Client".

Unless stated otherwise herein, the basic and governing language of the contract resulting from this solicitation shall be comprised of Attachment A of this RFP, the Request For Proposal documents, including any attachments and amendments, and the successful offeror's signed proposal.

PART II

INTRODUCTION

2.1.0 Background

The South Carolina Retirement Systems is one of the consolidated divisions of the South Carolina State Budget and Control Board. The South Carolina State Budget and Control Board (Board) is comprised of five state officials: Mark Sanford, Governor, Chairman; Grady L. Patterson, Jr., Treasurer; Richard Eckstrom, Comptroller General; Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and Robert W. Harrell, Jr., Chairman, House Ways and Means Committee. The Board meets monthly and at other times as required. The Chief Administrative Officer of the Budget and Control Board is Frank W. Fusco, Executive Director, and the Director of the Retirement Systems is Peggy G. Boykin. The Board is the trustee of the Retirement Systems and has the authority to invest assets of the Retirement Systems as prescribed by law.

The Retirement Systems, which was established July 1, 1945, administers a \$24 billion public employee retirement system which supports approximately 213,000 active and 150,000 inactive members, 87,000 annuitants, and 800 employers. The Retirement Systems administers four (4) separate defined benefit plans: South Carolina Retirement System (SCRS); Police Officers Retirement System (PORS); Retirement System for Judges and Solicitors (JSRS); and Retirement System for Members of the General Assembly (GARS).

The assets of the Retirement Systems had historically been invested only in fixed income investments until a constitutional amendment was ratified in 1997 and

implementing legislation was enacted in 1998. The amendments allowed the Retirement Systems to invest in “equity securities of a corporation within the United States that is registered on a national securities exchange as provided in the Securities Exchange Act, 1934, or a successor act, or quoted through the National Association of Securities Dealers Automatic Quotation System, or a similar service.” S.C. Const. art. X, §16, as amended; S.C. Code Ann. §9-1-1310.

The amendment and implementing legislation also created the State Retirement Systems Investment Panel to provide additional oversight and expertise for the Board. Each member of the Board appoints a member to the Panel, and the Governor’s appointee serves as chairman. The Panel advises the Board on matters relating to the equity portion of the portfolio. The Board and the Panel have authority to retain independent consultants or other advisors they consider necessary to fulfill their duties relating to investing in equity securities. The Panel’s responsibilities include:

1. Developing an Annual Investment Plan and making recommendations on various equity investment policies, all of which are presented to the Board for approval and implementation; and
2. Recommending asset allocations, making recommendations regarding equity investment managers, and performing searches for equity investment managers.

The Retirement Systems first invested in equities in June 1999. Per statute, a maximum 10 percent of additional assets could be allocated to equity investments each fiscal year until equities attained a maximum allocation of 40 percent of the total assets of the Retirement Systems. The Panel recommended, and the Board approved, a strategy to reach the 40 percent target allocation by funding the equity portion of the portfolio in 2.5 percent increments each quarter. The equity portion of the portfolio reached the 40 percent target allocation in the Fall of 2003, and a rebalancing policy was adopted by the Board to maintain the target 40 percent equity allocation as prescribed by state statute. The market value of the equity portion of the portfolio was approximately \$10 billion as of December 31, 2003.

The equity portion of the portfolio is invested in multiple asset classes using external managers with various styles and strategies. Investments in international securities and alternative asset classes have not been authorized. Currently there are 15 external domestic equity investment managers for the portfolio who were selected pursuant to the Manager Search Process recommended by the Panel and adopted by the Board.

By statute, the South Carolina State Treasurer is the agent of the Board to manage the fixed income portion of the Retirement Systems portfolio. The State Treasurer manages the assets internally and retains an independent consultant. The fixed income asset target allocation is 60 percent, and was approximately \$14 billion as of December 31, 2003.

In general, the equity investment consultant will serve as an extension to the Board, Panel and staff. The duties of the investment consultant will include the services detailed below. Responding firms must be able to provide all services.

Neither the selected consultant, if any, nor any affiliated firm may serve as an equity investment manager for the Retirement Systems.

2.1.1 The following documents provide additional background information:

1. [Comprehensive Annual Financial Report](#) (CAFR) for the Year Ended June 30, 2003, located at www.retirement.sc.gov;
2. [Popular Annual Financial Report](#) (PAFR) for the Year ended June 30, 2003, located at www.retirement.sc.gov;
3. S.C. Code Ann. §§9-16-10, *et seq.* (Attached "[INFORMATION A](#)");
4. Current Statement of Investment Objective and Policies (Attached "[INFORMATION B](#)");
5. Annual Investment Plan for FY 2003-2004 (Attached "[INFORMATION C](#)");
6. List of current equity investment managers (Attached "[INFORMATION D](#)").

PART III

SCOPE OF SERVICES

3.1.0 **Scope of Services**: Attachment A of this RFP includes an Exhibit A, "Scope of Services", which defines the scope of services that the Board and Panel intend to acquire with this RFP.

3.2.0 **Staffing**: The Panel reserves the right to interview all individuals proposed for this engagement. Individuals proposed for this engagement must be the individuals responsible for the actual performance of services for this engagement, and must be available to work on the project once an award is made and a contract is signed. The Panel reserves the right to reject any individual proposed. No substitutes in the consulting team will be made without prior Panel's approval. The Panel reserves the right to require the removal of any person from the engagement who, in its judgment, is not performing satisfactorily.

3.3.0 **Reporting**: It is the responsibility of the contractor to inform the Panel immediately, in writing, of any problems or issues which have impacted or will impact this engagement.

Other Requirements

3.4.1 The contractor should not assume that any clerical, printing, copying, or data processing support will be provided by the Panel, Board, or the Retirement Systems.

3.4.2 The contractor shall be reimbursed for all reasonable travel, per diem, and lodging costs only to the extent permitted under the state's Travel Guidelines for State Employees.

3.4.3 Financial coordination and collaboration with the fixed income investment staff, consultant, and custodian will be required.

3.5.0 **Work Plan**: Upon award of a contract, the contractor must submit a work plan for accomplishing the services required in this RFP.

PART IV

PROPOSAL CONTENTS AND AWARD CRITERIA

So that the Panel can consider your proposal, submit the following information **in the listed format**:

- 4.1.0 **Cover Letter:** Submit a cover letter which includes a summary of the offeror's ability to perform the services described herein and statement that the offeror is willing to perform those services and enter into a contract with the Board/Panel. The cover letter must be signed by a person having the authority to commit the offeror to a contract.
- 4.2.0 **Proposal Format:** Proposals must be organized in the exact order in which the requirements are presented in the RFP. All pages must be numbered. Each paragraph in the proposal must correspond to and reference the paragraph number in the corresponding section of the RFP. It is also helpful to cite the paragraph number, sub-letter/number and repeat the text of the requirement as it appears in the RFP. If a response covers more than one page, the offeror must repeat the section number and subsection at the top of the next page. The proposal must also contain a table of contents which cross references the RFP requirements. Information which the offeror desires to present that does not fall within any of the requirements of the RFP should be inserted at an appropriate place or be attached at the end of the proposal and designated as additional material.
- 4.3.0 **Company Background**
 - 4.3.1 Provide a brief history of the firm including year of inception, ownership, affiliated and subsidiary companies and relationships, joint ventures, and any business partners.
 - 4.3.2 Describe all significant developments with your firm in the last three years, such as changes in ownership, restructuring, personnel reorganization, and philosophy. Disclose any known or contemplated future changes in your organization.
 - 4.3.3 Provide the address of your corporate office and a description of the firm, including number and location of offices, number of professional consultants, and scope of services offered. Also indicate which office(s) would service the Retirement Systems.
 - 4.3.4 Provide an organizational chart of your firm showing functions, positions, and titles of all key personnel involved in consulting services. Provide a brief description of the relationship between each component and the consultant(s) who would service the Retirement Systems.
 - 4.3.5 Describe all of your firm's lines of business and the approximate contribution of each to the total revenue. What percent of revenues are reinvested in research functions (provide detail)? If your firm is an affiliate or subsidiary of an organization, state percent of the parent firm's total revenue generated by your firm.

- 4.3.6 State what you believe distinguishes your consulting services from your competitors. Describe any services of your organization that may not be offered by other consultants.

4.4.0 **Clients**

- 4.4.1 For all consulting clients and also for defined benefit plans with which your firm has a current contractual relationship, provide the following by category: state pension plans, other public pension funds, corporate pension funds, and others.

- Total number of clients;
- Range of fund sizes serviced;
- Number of clients in these asset ranges:
 - <\$250 million;
 - \$.25-\$1 billion;
 - \$1-\$10 billion;
 - >\$10 billion.

- 4.4.2 Provide a list of up to 10 current public fund consulting clients with assets greater than \$1 billion for whom work similar to that requested in this RFP has been performed by your firm. Include name, contact person, telephone number, asset value, number of years they have been a client of the firm, and the services provided. The Panel may contact any of these clients as references. If you require advance notice of the Panel's intent to make inquiries, please so indicate.

- 4.4.3 State the number of accounts, and value of assets represented in those accounts, lost during the last five years. Please list clients who have terminated your consulting relationship during the past three years and their reasons for doing so, and provide a contact name and title, telephone number, and asset values of the respective relationships. The Panel may contact any of these clients as references.

4.5.0 **Standards of Conduct**

- 4.5.1 Does your firm have a written code of conduct or a set of standards for professional behavior? If so, how are they monitored and enforced?
- 4.5.2 Has your firm adopted the Code of Ethics and The Standards of Professional Conduct of the Association of Investment Manager Research (AIMR)? If so, how is employee compliance monitored?
- 4.5.3 How are consultants' recommendations to clients reviewed and monitored by your organization? Does your firm adhere to a level of consistency in consultant recommendations, and if so, how is it monitored?
- 4.5.4 Describe your firm's quality control procedures established to ensure that you would be able to successfully carry out the requirements of the proposed equity investment consultant contract.
- 4.5.5 Describe your firm's risk management procedures.

- 4.5.6 Describe your expertise in assisting clients in developing their own risk management procedures. Please include names of clients and briefly describe the projects for which you have provided these services.
- 4.5.7 Is your firm, its parent, or any affiliate a registered investment adviser with the SEC under the Investment Advisers Act of 1940? If not, state your fiduciary classification.
- 4.5.8 Within the last five years, has your organization or an officer or principal been involved in litigation or other legal proceedings relating to your investment consulting assignments? If so, please provide an explanation and indicate the current status or disposition.
- 4.5.9 Has your firm ever been censured by any regulatory body? If so, please describe the situation.

4.6.0 **Conflicts of Interest**

- 4.6.1 Explain in detail any potential for conflict of interest that may be created by your firm's providing services to the Retirement Systems or the Panel. Include all current relationships or any presence of your firm in South Carolina during the last five years. Based on the list of investment managers currently managing assets for the Retirement Systems, please disclose any business your firm, affiliates, or parent company does with any of these investment managers.
- 4.6.2 Does your firm or an affiliate manage money for clients? Include whether your firm or its parent or an affiliate is a broker/dealer. Do you trade for your client accounts through your own broker/dealer? Does your firm accept soft dollars as a method of payment for services provided? Do you use soft dollars to make payment for services received? What percentage of your clients has soft dollar arrangements with your firm?
- 4.6.3 Describe how conflicts of interest among your consulting functions are prevented if your firm also provides portfolio management or brokerage services, or if your firm also provides consulting services to investment management companies.
- 4.6.4 How does your firm identify and manage conflicts of interest?
- 4.6.5 Describe in detail all circumstances under which your firm or any individual in your firm receives compensation, finder's fees or any other benefit from investment managers or third parties, and list all investment management firms or third parties from which your firm has received any compensation within the last two years.
- 4.6.6 Does your firm hold or sponsor investment manager and/or client conferences? Please describe all conferences your firm has held or sponsored in the past two years, including the source of funding for these conferences. Please note if any members of the Panel, Board, Retirement Systems, or respective staff have been in attendance.

4.7.0 **Staff and Consultants in the Firm**

- 4.7.1 How many investment consultants does your firm have?
- 4.7.2 Discuss the ways you manage growth, including any limits to the client/consultant ratio.
- 4.7.3 Describe your company philosophy for recruiting, hiring, and retaining senior personnel.
- 4.7.4 Describe how consultants and analysts in your firm are compensated.
- 4.7.5 List, by title, the turnover of consulting personnel (including analysts) in the last three years. State reason of departure by senior staff.

4.8.0 **Consulting Team**

- 4.8.1 Provide name, title, home office location, and biography of the key individual(s) who would be directly responsible for providing consulting services to the Retirement Systems, including what year the individual joined your firm, current responsibilities, areas of expertise, experience, education, professional designations and memberships, and relevant publications and presentations. Detail their roles and the scope of their involvement for this assignment. Indicate client load for each member of the team, and who would be the team leader and direct contact for the Retirement Systems.
- 4.8.2 Please describe your team's experience with similar work performed for other public retirement systems, corporate pension funds or similar institutional investors.
- 4.8.3 State whether the individuals assigned to the work have any responsibilities other than providing consulting services, and if so, specify such responsibilities.
- 4.8.4 What are the procedures for addressing this account when the lead consultant or other assigned personnel are unavailable?
- 4.8.5 Describe your firm's backup procedures in the event that key personnel in this assignment should leave the firm.

4.9.0 **Client Services**

- 4.9.1 Does your firm offer ongoing education and training to plan fiduciaries and/or investment committees as it relates to their investment responsibilities? If so, please describe your experience in this area, including the type of training available, the qualifications of the individuals assigned to conduct the training, and how often you recommend these services be provided.
- 4.9.2 Describe any relevant educational seminars sponsored and held by your firm that are open to clients.
- 4.9.3 Indicate your firm's level of involvement in any public fund/governmental professional organizations.

4.9.4 Describe your experience in developing rules and regulations for investment committees.

4.9.5 Describe your experience in providing administrative support to an investment committee.

4.10.0 **Research**

4.10.1 Describe your firm's philosophy and resources, including history of experience in the following areas:

- Performance Evaluation and Reporting;
- Marketing;
- Research (by areas);
- Asset Allocation;
- Investment Policy;
- Manager Search (by asset class).

4.10.2 Describe the internal structure and organization of your research department. If no separate department exists, describe how this function is performed.

4.10.3 Describe the manner in which external resources and sources of information are used in the research process. How does your firm integrate internal and external research?

4.10.4 Describe the type, subject matter, and frequency of research provided to clients, and provide an example.

4.10.5 Describe your ability to provide customized computer-based analytical tools to your clients. Please describe features.

4.10.6 Describe your firm's process for monitoring industry and market trends affecting investment funds.

4.10.7 List any relevant research papers or publications written by your firm.

4.11.0 **Asset Allocation**

4.11.1 Discuss the theory, methodology, and process your firm uses in determining the equity strategy and asset allocation. Please include information about the asset allocation models your firm employs and a brief explanation of how you develop asset class assumptions.

4.11.2 Please indicate the asset categories in which your firm has experience and expertise.

4.11.3 What variables would your firm consider essential in reviewing and developing long-range strategies for the Panel? Are there particular actuarial results or calculations that you consider critical to the process?

- 4.11.4 Describe your policy for changes to a pension system's asset allocation with changes in the market environment.
- 4.11.5 Does your firm have a process to allow the Panel to make assumptions and review alternative conditions that could affect the financial security of the plan? If so, briefly describe.
- 4.11.6 Describe your firm's philosophy regarding strategic versus tactical asset allocation.
- 4.11.7 Explain your firm's position/approach regarding internal investment management versus external management.
- 4.11.8 Explain your firm's position/approach on the use of active versus passive management in the major asset classes.
- 4.11.9 Is your firm capable of performing asset/liability modeling studies?
- 4.11.10 Describe your firm's capabilities and experience in advising and assisting internal investment managers and staff.
- 4.11.11 Describe your methodology for identifying and evaluating new investment opportunities.

4.12.0 **Investment Policy Development and Review**

- 4.12.1 Describe your philosophy and process for development of:
 - overall investment policy as well as investment policy for specific asset classes;
 - client investment objectives, especially public pension clients.
- 4.12.2 Outline your process for analyzing a client's investment portfolio structure.
- 4.12.3 Describe your approach to the analysis of applicable legal parameters/restrictions under which the Retirement Systems must operate (e.g., statutory target allocations to fixed income investments and equity investments, limitations on asset classes, etc.).
- 4.12.4 Describe your process for setting benchmarks for the total fund as well as for each manager/equity asset category.
- 4.12.5 Provide your firm's philosophy on risk. How do you define risk, i.e., standard deviation, negative returns, etc.? How do you help clients define risk? How is risk measured?
- 4.12.6 How do you maintain and provide a continuous review of your client's investment policy, investment strategy, and portfolio mix?
- 4.12.7 What does your firm consider to be the most crucial issues regarding an investment policy for a public pension plan?

- 4.12.8 Describe your capabilities in the development of appropriate shareholder responsibility and proxy voting policies and procedures in consultation with the Retirement Systems, the Board, the Panel, staff, and counsel.

4.13.0 Investment Manager Database

- 4.13.1 Does your firm maintain an in-house database of investment managers? If not, from what vendor do you purchase the database?
- 4.13.2 How many managers and how many products are included in the database your firm uses? How many dollars in employee benefit assets under management do these firms represent?
- 4.13.3 How many managers and how many products are included for manager selection in each of the asset classes represented in the database?
- 4.13.4 If the database you use is proprietary, describe the risk management procedures that have been implemented to protect it.
- 4.13.5 Describe your methodology and criteria for classification of managers by investment style, size, etc. How do you monitor consistency of style?
- 4.13.6 How often are managers in your database reviewed? Under what circumstances are managers added to your database? Deleted?
- 4.13.7 Describe how your firm gathers, verifies, updates, and maintains the data collected on managers for the database. Please include how often the databases are updated, how often staff visits managers and the nature of the visits, and whether your firm uses surveys in evaluating managers in the database.
- 4.13.8 Describe your staff's process for monitoring managers in the database(s) with respect to administrative conditions such as staff turnover, mergers, and financial soundness.
- 4.13.9 Does your firm have the capability of providing the Panel with the database(s) that would allow them to do the screening themselves? If so, in what format?
- 4.13.10 Describe any advantages that you perceive the database you use has over your competitors.
- 4.13.11 Do you or the vendor you use charge direct or indirect fees for investment managers to be included in the database? If so, describe the fees.
- 4.13.12 If you have an in-house database, do you sell it to third parties? How do you receive compensation for selling it?

4.14.0 Investment Manager Searches

- 4.14.1 Describe your philosophy and methodology used in evaluating and selecting investment managers.

- 4.14.2 Describe your firm's methodology and source of data for analyzing and evaluating a potential manager's performance. Discuss benchmarks and comparisons with other managers. Describe how risk is factored into this analysis. Discuss any attribution analysis that is performed.
- 4.14.3 What qualitative factors do you evaluate when researching investment management organizations? How does your firm identify qualitative problems at investment organizations? How is historical performance used in your evaluation?
- 4.14.4 Provide the time schedule you recommend when conducting manager searches.
- 4.14.5 Describe the circumstances under which you would recommend termination of an investment manager.
- 4.14.6 Describe your system of rating managers. Would the ratings of managers being considered in searches or managers retained by Retirement Systems be available to the Panel?
- 4.14.7 Describe your experience and performance in evaluating and selecting investment managers.

4.15.0 Performance Review, Analysis, and Reporting

- 4.15.1 Describe your firm's performance analysis philosophy and discuss the portfolio analytics your firm is capable of providing, including factors you consider to be critical in reporting performance and give reasons why this approach is superior to others. Is this service performed by your firm or through an outside vendor? If you outsource, please identify the vendor and detail all quality controls in place.
- 4.15.2 Does your firm meet the requirement that all performance reporting complies with Association of Investment Manager Research (AIMR) Performance Reporting Standards? Has your firm received Level I Verification and/or Level II Verification?
- 4.15.3 Do you reconcile your calculated performance with investment managers' and custodians' reports? If yes, please describe.
- 4.15.4 What resources, other than the data supplied by the Retirement Systems' custodian, would be used in performing the requested review and analysis?
- 4.15.5 Do you have the capability of using rates of return calculated by the Retirement System's custodian bank (currently Bank of New York) in your performance evaluation reports?
- 4.15.6 What amount of input may the client have in the content and format of an investment performance evaluation report? Do you have the ability to customize reports for your clients?
- 4.15.7 Who will be responsible for working with the Panel to design the standard performance evaluation report and for compiling the report each quarter?

- 4.15.8 How many days after the end of the quarter do you require to complete quarter-end reports? Provide a sample public plan performance report.
- 4.15.9 Do you have the ability to receive and use data electronically, from managers and custodians? Do you have the ability to transmit report information to the Panel, the Board, and associated staff electronically?
- 4.15.10 Describe how the Retirement Systems' performance would be compared to similar portfolios and universes? Specifically, do you have access to a universe of domestic government pension funds? If so, describe.
- 4.15.11 What asset classes are tracked in your performance measuring system? How many managers are included within each asset category? How many years of performance data are on the system for each asset class?
- 4.15.12 How are performance benchmarks for the total fund, different asset classes and investment manager styles chosen and constructed?
- 4.15.13 Do you use style benchmarks in your performance measurement process? What are the sources of the underlying data and how are these benchmarks calculated and maintained?
- 4.15.14 Please describe your philosophy regarding custom benchmarks? Can your firm provide custom/style benchmarks and universes? Have you developed custom benchmarks for clients? If so, briefly describe. Are the returns in your universe actual client returns or composite returns as reported by managers?
- 4.15.15 Describe the database used by your firm for performance reporting. Is it an in-house product, or do you purchase the information? Describe any public fund components of this database as related to number and size of entities and amount of assets involved.
- 4.15.16 Describe your capabilities in the development of risk/return characteristics of the asset mix as a whole and of each asset category and manager style.
- 4.15.17 Describe how you monitor style adherence.
- 4.15.18 Describe the performance attribution analysis you use and provide a sample report.
- 4.15.19 Describe your process for reviewing investment manager compliance with the investment policy and guidelines.
- 4.15.20 Does your firm offer a service which audits the custodian, in terms of income tracking and verification, trade settlement, etc.? Do you monitor custodians for consistency with industry standard in terms of services offered, timeliness, and cost?
- 4.15.21 Do you provide transaction cost analysis services? If so, describe your methodology.
- 4.15.22 Describe your capabilities in the production/interpretation of securities lending.

4.15.23 Do you have international analytics capabilities?

4.15.24 Give a brief overview of the hardware and software systems used in the production of performance reports.

4.16.0 **Subcontracting**

4.16.1 If your firm uses the services of a subcontractor, please identify the subcontractor and describe the skills and qualifications of the subcontractor and its individual employees.

4.16.2 Describe what portions of the project will be assigned to the subcontractor.

4.16.3 Identify the cost associated with the portions of the project assigned to the subcontractor.

4.16.4 Describe the inclusive periods and percentage of time the subcontractor will devote to the project.

4.16.5 Describe the contractual arrangement contemplated with each subcontractor and describe generally the control/delegation of responsibilities anticipated in that arrangement.

4.17.0 **Insurance and Liability**

4.17.1 Please describe the levels of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. Is the coverage on a per client basis, or is the dollar figure applied to the firm as a whole? List the insurance carriers and provide evidence of professional liability insurance.

4.17.2 Describe your disaster recovery plan and facilities.

4.18.0 **Fee Schedule**

4.18.1 Provide, in detail, the fees your firm would charge for investment consulting services. Quote all fees in hard dollars. Include both fees based upon a bundled fee for all services as well as an unbundled fee for each discrete service identified below:

- **Asset allocation review.** Will include an annual meeting to review the current allocation and any alternative mixes or asset classes you may be recommending;
- **Investment policy development/update.** Will occur as needed, particularly following an asset allocation change or a modification in the investment parameters. The consultant will also assist the Panel in writing an Annual Investment Plan which may include revisions/amendments to Investment Policy.

- **Manager searches.** Will be conducted as needed. Please include total fees and a projected number of meetings per search. If fees differ by mandate or type of fund (separate versus commingled or mutual), please detail;
- **Manager performance evaluation.** Will include quarterly reports and meetings. A monthly update may also be required. Quarterly reports must include written commentary and recommendations regarding investment managers. Performance should be stated in both gross and net returns for the total fund and for each manager. Compliance with the investment policy must also be monitored as part of this service.

4.18.2 Please provide, in detail, the fees for other services such as education, communication, development of rules and regulations and administrative support. (Please refer to Section 4.9.0).

4.18.3 Detail any additional charges (including travel and out-of-pocket expenses), and provide hourly rates for each individual involved in the Retirement Systems' account.

4.18.4 Identify the period of time the proposed fees will remain in effect.

4.18.5 Has the firm provided investment consulting services under alternative fee arrangements? If so, please describe.

4.18.6 Does your firm's proposed fee arrangement consist of any incentive or contingent payments? If so, please describe the manner of calculation in detail.

4.19.0 **Oral Presentation:** The Panel may, at its discretion, request offeror(s) to make oral presentations to provide firms with an opportunity to answer questions the Panel may have on a firm's proposal.

4.20.0 **APPENDICES**

4.20.1 **Appendix A - FORM ADV Part II:** Please attach a copy of the current Form ADV Part II of your firm and all other registered investment advisers (whether SEC or state registered) that are affiliated or related to your firm.

4.20.2 **Appendix B - ANNUAL FINANCIAL REPORT:** Please provide a copy of the firm's most recent audited financial statements, which must include at least an income statement, balance sheet, and statement of cash flows.

4.21.0 **OFFEROR'S QUALIFICATION:** The offeror must, upon request of the Panel, furnish satisfactory evidence of its ability to furnish products or services in accordance with the terms and conditions of this proposal. The Panel reserves the right to make the final determination as to the offeror's ability to provide the services requested herein.

PART V

SPECIAL INSTRUCTIONS

5.1.0 PREPARATION OF PROPOSAL:

- 5.1.1 All proposals should be complete and carefully worded and must convey all of the information requested by the Panel. If significant errors are found in the offeror's proposal, or if the proposal fails to conform to the essential requirements of the RFP, the Panel and the Panel alone, will be the judge as to whether that variance is significant enough to reject the proposal.
- 5.1.2 Proposals should be prepared simply and economically, providing a straightforward, concise description of offeror's capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content.
- 5.1.3 Each copy of the proposal should be bound in a single volume where practical. All documentation submitted with the proposal should be bound in that single volume.
- 5.1.4 If the offeror's proposal includes any comment over and above the specific information requested in this Request for Proposal, the offeror is to include this information as a separate appendix to its proposal.

5.2.0 **DISCUSSION/NEGOTIATION:** By submission of a proposal, the offeror agrees that during the period following issuance of a proposal and prior to final award of a contract, the offeror shall not discuss this procurement with any party except those parties specifically designated in this solicitation. Offeror shall not attempt to discuss with or attempt to negotiate with the Panel, Board, or Retirement Systems any aspect of the procurement.

5.3.0 AMENDMENTS:

5.3.1 **VERBAL COMMENTS OR DISCUSSIONS BY THE PANEL, BOARD, OR RETIREMENT SYSTEMS STAFF RELATIVE TO THIS SOLICITATION CANNOT ADD, DELETE OR MODIFY ANY WRITTEN PROVISION. ANY ALTERATION MUST BE IN THE FORM OF A WRITTEN AMENDMENT TO ALL OFFERORS.**

5.3.2 If it becomes necessary to revise any part of the RFP, an amendment will be provided to all eligible offerors.

5.4.0 **ORAL PRESENTATIONS:** Offerors may be requested to make oral presentations of their proposals to the Panel. Such presentations provide an opportunity for the offerors to clarify their proposals and to ensure a thorough understanding.

5.5.0 **AWARD:** An award resulting from this request shall be awarded to the responsive and responsible offeror whose proposal is determined to be most advantageous to the Retirement Systems, taking into consideration price, when required, and the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and in all cases, the Panel will be the sole judge as to whether an offeror's proposal has or has not satisfactorily met the requirements of this RFP.

5.6.0 SUBMITTING PRIVILEGED/CONFIDENTIAL AND TRADE SECRET INFORMATION:
All offerors must visibly mark each part of their proposal which they consider to contain privileged and confidential information, or Trade Secrets, as set forth herein, and include a separate, redacted copy of the proposal.

5.6.1 OVERVIEW: Under the South Carolina Freedom of Information Act ("FOIA"), certain documents an offeror submits to the Panel may be subject to public disclosure. All references are to the South Carolina Code of Laws, which is available on the Internet at:
<http://www.scstatehouse.net/html-pages/research.html>. Offerors are urged to become familiar with FOIA (Title 30, Chapter 4 of the Code) and the Trade Secrets Act (Title 39, Chapter 8).

Privileged and confidential information as defined in S.C. Code Ann. § 11-35-410 is "information in specific detail not customarily released to the general public, the release of which might cause harm to the competitive position of the party supplying the information." The examples of such information provided in the statute are:

- (1) Customer lists;
- (2) Design recommendations and identification of prospective problem areas under an RFP;
- (3) Design concepts, including methods and procedures; and
- (4) Biographical data on key employees of the bidder.

Evaluative documents predecisional in nature such as inter- or intra-agency memoranda containing technical evaluations and recommendations are exempted so long as the contract award does not expressly adopt or incorporate the inter- or intra-agency memoranda reflecting the predecisional deliberations.

5.6.2 INSTRUCTIONS:

For every document offeror submits in response to or with regard to this solicitation or request, offeror must separately mark with the word "CONFIDENTIAL" every page, or portion thereof, that offeror contends contains information that is exempt from public disclosure because it is either (a) a trade secret as defined in Section 30-4-40(a)(1), or (b) privileged and confidential as that phrase is defined in S.C. Code Ann. §11-35-410.

For every document offeror submits in response to or with regard to this solicitation or request, offeror must separately mark with the words "TRADE SECRET" every page, or portion thereof, that offeror contends contains a trade secret as that term is defined by Section 39-8-20 of the Trade Secrets Act.

All markings must be conspicuous; use color, bold, underlining, or some other method in order to conspicuously distinguish the mark from the other text. Do not mark your entire response (bid, proposal, quote, etc.) as confidential or trade secret! If your response, or any part thereof, is improperly marked as confidential or trade secret, the Panel may, in its sole discretion, determine it nonresponsive. If only portions of a page are subject to some protection, do not mark the entire page.

NOTE: MARKING YOUR ENTIRE PROPOSAL CONFIDENTIAL/PROPRIETARY IS NOT IN CONFORMANCE WITH THE SOUTH CAROLINA FREEDOM OF INFORMATION ACT.

- 5.6.3 **AGREEMENT TO RELEASE:** By submitting a response or proposal to this solicitation or request, offeror (1) consents to the public disclosure of every page of every document regarding this solicitation or request that was submitted at any time prior to entering into a contract (including, but not limited to, documents contained in a response, documents submitted to clarify a response, and documents submitted during negotiations), unless the page is conspicuously marked "TRADE SECRET" or "CONFIDENTIAL", (2) agrees that any information not marked, as required by these instructions, as a "TRADE SECRET" is not a trade secret as defined by the Trade Secrets Act, and (3) agrees that, notwithstanding any claims or markings otherwise, any prices, commissions, discounts, or other financial figures used to determine the award, as well as the final contract amount, are subject to public disclosure. In determining whether to release documents, the Panel and Board will detrimentally rely on offeror's marking of documents, as required by these instructions, as being either "CONFIDENTIAL" or "TRADE SECRET". By submitting a response or proposal, offeror agrees to defend, indemnify and hold harmless the State of South Carolina, the Board, the Panel, the Retirement Systems, and their officers and employees, from every claim, demand, loss, expense, cost, damage or injury, including attorney's fees, arising out of or resulting from the Panel withholding information that offeror marked as "CONFIDENTIAL" or "TRADE SECRET".
- 5.7.0 **RIGHT OF NON/COMMITMENT OR REJECTION:** This solicitation does not commit the Panel or Board to award a contract, to pay any costs incurred in the preparation of a proposal, or to procure or contract for the articles of goods or services. The Panel reserves the right to accept or reject any or all proposals received as a result of this request, or to cancel in part or in its entirety this proposal if it is in the best interest of the Retirement Systems to do so.
- 5.8.0 **COST:** Cost submitted with proposal shall be firm for a period of at least 90 days from the closing date.
- 5.9.0 **DISCUSSION WITH RESPONSIVE OFFERORS:** Discussions may be conducted with responsive offerors who submit proposals for the purpose of clarification to assure full understanding of the requirements of the request for proposals. All offerors, whose proposals in the Panel's sole judgment need clarification, shall be accorded such an opportunity.

Except as otherwise provided herein, current service providers who may consider responding to this RFP or current service providers who are responsive offerors must limit their contact for business transactions to the Panel, the Board, the Retirement Systems, or their respective employees with whom they ordinarily interact and must avoid direct contact with such persons during this proposal period, other than that which might occur at regularly scheduled meetings or in carrying out the performance of their duties under any current contract.

5.10.0 CONTRACT FORMATION: The Board and Panel will enter into a contract with the successful offeror by executing the contract form attached to this RFP (Attachment A). Negotiations with the successful offeror may result in modifications to the form contract; however, neither the Board nor the Panel will sign an offeror's standard form contract.

IMPORTANT TAX NOTICE - NONRESIDENTS ONLY

Withholding Requirements for Payments to Nonresidents: Section 12-8-550 of the South Carolina Code of Laws requires persons hiring or contracting with a nonresident conducting a business or performing personal services of a temporary nature within South Carolina to withhold 2% of each payment made to the nonresident. The withholding requirement does not apply to (1) payments on purchase orders for tangible personal property when the payments are not accompanied by services to be performed in South Carolina, (2) nonresidents who are not conducting business in South Carolina, (3) nonresidents for contracts that do not exceed \$10,000 in a calendar year, or (4) payments to a nonresident who (a) registers with either the S.C. Department of Revenue or the S.C. Secretary of State and (b) submits a Nonresident Taxpayer Registration Affidavit - Income Tax Withholding, Form I-312 to the person letting the contract.

The withholding requirement applies to every governmental entity that uses a contract ("Using Entity"). Nonresidents should submit a separate copy of the Nonresident Taxpayer Registration Affidavit - Income Tax Withholding, Form I-312 to every Using Entity that makes payment to the nonresident pursuant to this solicitation. Once submitted, an affidavit is valid for all contracts between the nonresident and the Using Entity, unless the Using Entity receives notice from the Department of Revenue that the exemption from withholding has been revoked.

Section 12-8-540 requires persons making payment to a nonresident taxpayer of rentals or royalties at a rate of \$1,200.00 or more a year for the use of or for the privilege of using property in South Carolina to withhold 7% of the total of each payment made to a nonresident taxpayer who is not a corporation and 5% if the payment is made to a corporation. Contact the Department of Revenue for any applicable exceptions.

For information about other withholding requirements (e.g., employee withholding), contact the Withholding Section at the South Carolina Department of Revenue at 803-898-5383 or visit the Department's website at www.sctax.org.

This notice is for informational purposes only. This agency does not administer and has no authority over tax issues. All registration questions should be directed to the License and Registration Section at 803-898-5872 or to the South Carolina Department of Revenue, Registration Unit, Columbia, S.C. 29214-0140. All withholding questions should be directed to the Withholding Section at 803-898-5383.



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE
**NONRESIDENT TAXPAYER
REGISTRATION AFFIDAVIT
INCOME TAX WITHHOLDING**

I-312

(Rev. 6/26/01)
3323

The undersigned nonresident taxpayer on oath, being first duly sworn, hereby certifies as follows:

1. Name of Nonresident Taxpayer: _____

2. Trade Name, if applicable (Doing Business As):

3. Mailing Address: _____

4. Federal Identification Number: _____

5. _____ Hiring or Contracting with:
Name: _____

Address: _____

_____ Receiving Rentals or Royalties From:
Name: _____

Address: _____

_____ Beneficiary of Trusts and Estates:
Name: _____

Address: _____

6. I hereby certify that the above named nonresident taxpayer is currently registered with (check the appropriate box):

☐ The South Carolina Secretary of State or

☐ The South Carolina Department of Revenue

Date of Registration: _____

7. I understand that by this registration, the above named nonresident taxpayer has agreed to be subject to the jurisdiction of the South Carolina Department of Revenue and the courts of South Carolina to determine its South Carolina tax liability, including estimated taxes, together with any related interest and penalties.

8. I understand the South Carolina Department of Revenue may revoke the withholding exemption granted under Code Sections 12-8-540 (rentals), 12-8-550 (temporarily doing business or professional services in South Carolina), and 12-8-570 (distributions to nonresident beneficiary by trusts or estates) at any time it determines that the above named nonresident taxpayer is not cooperating with the Department in the determination of its correct South Carolina tax liability.

The undersigned understands that any false statement contained herein could be punished by fine, imprisonment or both.

Recognizing that I am subject to the criminal penalties under Code Section 12-54-44 (B) (6) (a) (i), I declare that I have examined this affidavit and to the best of my knowledge and belief, it is true, correct and complete.

Signature of Nonresident Taxpayer (Owner, Partner or Corporate Officer, when relevant) (Seal) _____ Date _____

If Corporate officer state title: _____

(Name - Please Print)

ATTACHMENT A

(Consultant RFP 04/04)

AGREEMENT BY AND BETWEEN the South Carolina Budget and Control Board AND _____

This Agreement is entered into as of this _____ day of _____, 2004 ("EFFECTIVE DATE"), between _____ ("CONSULTANT"), a corporation organized under the laws of the State of _____, having a place of business at _____, and the South Carolina Budget and Control Board ("BOARD") acting as trustee of the retirement plans administered by the Division of Retirement Systems ("SOUTH CAROLINA RETIREMENT SYSTEMS") and the State Retirement Systems Investment Panel ("PANEL"), herein referred to collectively as the "CLIENT".

Whereas, the Panel was created by S.C. Code Ann. Section 9-16-310, authorized to retain independent advisors by Section 9-16-320(G), and empowered to develop an annual investment plan for the Board; and,

Whereas, the Board has the authority to invest assets of the South Carolina Retirement Systems pursuant to S.C. Code Ann. Sections 9-1-1310, 9-8-160(1), 9-9-150(1), and 9-11-240(1); and,

Whereas, the Board has the authority to retain consultants or other advisors it considers necessary to fulfill its duties in investing in equity securities; and,

Whereas, the Panel issued a Request for Proposal ("RFP") on behalf of and for the benefit of the Client on or about April 7, 2004, for an equity investment consultant; and,

Whereas, the Consultant submitted a proposal dated _____ in response to the RFP;

NOW, THEREFORE, by these presents, for and in consideration of the mutual promises, covenants, and agreements as set forth herein, the parties agree as follows:

I. DEFINITIONS

(A) "CUSTODIAN" means the person(s) or entity(s) designated by the Board to maintain custody of the assets of the South Carolina Retirement Systems.

(B) "BUSINESS DAY" means every day except Saturday, Sunday, and any official State of South Carolina or Federal holiday.

(C) "EQUITY ASSETS" means all funds, investments and similar property of the South Carolina Retirement Systems that are invested in equity securities of a corporation within the United States and that are registered on a national securities exchange as provided in the Securities Exchange Act, 1934, or a successor act, or quoted through the National Association of Securities Dealers Automatic Quotations System, or a similar service.

(D) "EQUITY PORTFOLIO" means the combined holdings of equity assets by the South Carolina Retirement Systems.

(E) "PORTFOLIO" means the combined holdings of stocks, bonds, commodities, cash equivalents, or other asset by South Carolina Retirement Systems.

(F) "FISCAL YEAR" means a period July 1 through June 30.

(G) "FISCAL QUARTER" means a period January 1 through March 31, April 1 through June 30, July 1 through September 30, or October 1 through December 31.

II. TERM OF AGREEMENT AND TERMINATION

(A) Duration: This Agreement shall be for a period commencing on the Effective Date and continuing through the end of the state's current Fiscal Year. This Agreement will automatically extend each Fiscal Year for an additional one year unless terminated as provided in this Agreement. Extensions may be less than, but will not exceed, four (4) additional one (1) year periods. If the Consultant elects not to extend on the anniversary date, the Consultant must notify the Client of its intention, in writing, at least 60 Business Days prior to the anniversary date.

(B) Termination: This Agreement may be terminated for convenience by the Client as of the end of any month upon not less than thirty (30) Business Days written notice; provided, however, that the Client may, in its sole discretion, and upon written notice to the Consultant, terminate this Agreement immediately if the Consultant is in breach of any term, condition, standard, obligation, or warranty in the Contract Documents and fails to remedy such breach within ten (10) Business Days after receipt of notice thereof. Upon termination of this Agreement, the Consultant shall provide the Client with the quarterly investment report required by the Scope of Services for the period from the date of the last quarterly investment report through the effective date of termination of this Agreement.

(C) Terms upon Renewal: All terms, conditions, and provisions of this Agreement, including the Fee Schedule, attached hereto as "EXHIBIT B" and incorporated herein by reference, shall remain in full force and effect during any renewal or extension.

(D) Orderly Transfer of Materials: Upon termination of this Agreement for any reason, (i) the Consultant, immediately upon demand, shall provide to the Client all of Client's properties, including, but not limited to, all materials provided to the Consultant by, for the benefit of, or on behalf of, the Client and (ii) the Client shall pay the Consultant for services rendered and expenses incurred prior to the termination date.

III. SCOPE OF WORK

The Consultant shall perform the services described in the Scope of Services, attached hereto as "EXHIBIT A" and incorporated herein by reference.

IV. FEES

The Consultant shall be paid fees for its services rendered pursuant to this Agreement. The annual fees shall be calculated as set forth the Fee Schedule, attached hereto as "EXHIBIT B" and incorporated herein by reference.

V. TERMS OF PAYMENT

(A) Payment: Unless otherwise specified herein, within thirty (30) Business Days after the end of each Fiscal Quarter, the Consultant shall submit a bill or invoice to the South Carolina Retirement Systems for payment of Consultant's fees as provided in "EXHIBIT B", attached and incorporated herein by reference.

(B) Proration of Payment: If the first quarter during the term of this Agreement represents a portion of a Fiscal Quarter, the Consultant's fee for that quarter will be billed as soon as practical in that quarter and shall be prorated for the remainder of the Fiscal Quarter. In the event this Agreement is terminated before the end of a Fiscal Quarter, the Consultant's fee, including any minimum monthly fee, shall be prorated for the final Fiscal Quarter of services rendered.

VI. CONFIDENTIALITY

(A) CONFIDENTIAL RELATIONSHIP:

(1) All non-public information provided by the Client or the Custodian to the Consultant shall be considered confidential. All recommendations, advice, and other work product of the Consultant regarding the Client's investments or the Client's relationship with Consultant shall be considered confidential. Consultant agrees to take all necessary steps to safeguard confidential material. The Consultant agrees not to release any confidential information without the express written consent of the Client and further agrees not to use any confidential information for any other purpose other than performance under this contract; provided, however, the Consultant may disclose or communicate confidential information to a proper party as is necessary to carry out the purposes of this Agreement or as may be required by law.

(2) In the event Consultant receives a subpoena or any validly issued judicial process requesting confidential information or a request for disclosure pursuant to the South Carolina Freedom of Information Act, Consultant shall promptly notify the Client in order to allow the Client to challenge such legal process or request for information before disclosure by Consultant. Further, Consultant shall release such information only (a) in accordance with applicable laws, (b) upon the Client's written consent which shall not be unreasonably withheld, or (c) upon Consultant's receipt of a Court Order or other legal process requiring release.

(B) APPROVAL OF PUBLICITY RELEASES:

The Consultant shall not include the Client's names in its published list of clients without prior approval of the Client. With regard to news releases, only (a) the name of the Client, and (b) the type and duration of this Agreement may be disclosed, and then only with prior approval of the Client. The Consultant agrees not to publish or cite in any form any comments or quotes from any of the Client's staff without the prior written approval of the Client. Consultant further agrees not to refer to award of this Agreement in commercial advertising in such a manner as to state or imply that the products or services provided are endorsed or preferred by the Client.

(C) PROPRIETARY INFORMATION:

Any and all reports, analyses, and data, whether statistical or otherwise, prepared specifically and exclusively for the Client by the Consultant pursuant to this Agreement shall become the property of the Client and may be used for such purposes as the Client shall deem

appropriate unless such use is otherwise prohibited by this Agreement. Notwithstanding anything to the contrary contained in this Agreement, it is understood and agreed that the Consultant shall retain all of its rights in methods of analysis, ideas, concepts, expressions, know how, methods, techniques, skills, knowledge and expertise possessed by the Consultant prior to, or acquired by the Consultant during the performance of this Agreement and the Consultant shall not be restricted in any way with respect thereof. If the Consultant specifically identifies information as trade secrets or proprietary information, the Client agrees that it shall not disclose information so identified with any other person without the prior written approval of the Consultant, except in connection with any governmental or judicial proceeding or inquiry or as may be required by applicable law including, but not limited to, the South Carolina Freedom of Information Act. The Consultant agrees that it will not unreasonably withhold its approval in relation to an audit or other inquiry. In the event the Client receives a subpoena, or any validly issued judicial process requesting such information, the Client shall promptly notify the Consultant to allow the Consultant to challenge such legal process.

VII. CONFLICTS OF INTEREST

The Consultant shall disclose to the Client any known relationship between the Consultant and any manager recommended by the Consultant. The Consultant shall disclose any conflict of interest or potential conflict of interest relating to the Consultant's performance of this Agreement.

VIII. SELECTION OF INVESTMENT ADVISOR'S EMPLOYEES

A list of all of the Consultant's key employees who will be performing services for the Client (the "KEY EMPLOYEES LIST") is attached hereto as "EXHIBIT C" and incorporated herein by reference. The Consultant shall provide the employees designated in this list to perform the services for Client. Notwithstanding any other provision to the contrary in this Agreement, Consultant shall notify Client within one (1) business day of a change in any of the Key Employees listed in Exhibit C. To the extent practicable, Consultant shall provide Client with prior written notice of any changes in the Key Employees List. Replacement of any employees listed on the Key Employees List shall be with personnel of substantially equal ability and qualifications. Failure to comply with this provision constitutes a material breach of this Agreement.

IX. REPRESENTATIONS AND WARRANTIES

The Consultant hereby represents, warrants, and covenants as follows:

(A) The Consultant possesses a high degree of skill and experience as an investment advisor; that it maintains and will maintain a professional staff and facilities to perform the services required by this Agreement.

(B) The Consultant is presently registered and, to its knowledge, is in good standing as an investment advisor with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and, shall remain so registered and in good standing for the duration of this Agreement. Consultant shall notify Client immediately upon receipt of notice that it is not in good standing as an investment advisor with the Securities and Exchange Commission. Failure to comply with the terms of this provision shall constitute a material breach of this contract.

(C) The Consultant will ensure that its products (and those of its third-party suppliers) reflect the available state of the art technology and offer products that are Year 2000 compliant, including, but not limited to, century and multi-century recognition of dates, calculations that correctly compute same century and multi-century formulas and date values, and interface values that reflect the date issues arising between now and the next one-hundred years. Consultant hereby confirms that it is in compliance with the provisions of this paragraph. If any changes are required, Consultant will make the changes to its products at no cost to Client and in a commercially reasonable time frame and will require third-party suppliers to do likewise.

(D) The Consultant has disclosed to Client any litigation pending against Consultant related to its performance of duties as an investment advisor and any pending investigation of Consultant by the Securities and Exchange Commission or any other regulatory authority related to its performance of duties as an investment advisor. Failure to comply with the terms of this provision shall constitute a material breach of this Agreement.

(E) Consultant further represents that it is authorized to enter into this Agreement and any subsequent amendments hereto, and when so executed by both parties, it will be bound in accordance with its terms.

(F) Consultant shall keep, maintain, and make available all books, records, and documents related to the services performed under this Agreement for the audit and examination by authorized personnel of the Client upon prior written notice and at reasonable times and places during the term of this Agreement, and for six (6) years thereafter.

X. CHOICE-OF-LAW

This Agreement shall be considered to be a South Carolina contract and shall be deemed to have been made in Richland County, South Carolina, regardless of the order in which the signature of the parties shall be affixed hereto. This Agreement and any dispute, claim, controversy, rights and liabilities of the parties relating to this Agreement shall, in all respects, be determined, interpreted, construed, enforced and governed by and in accordance with the laws of the State of South Carolina.

XI. CHOICE OF FORUM

(A) The Consultant and Client consent to the exclusive jurisdiction of both the United States District Court for the District of South Carolina and the courts of the State of South Carolina. Further, the Consultant and Client agree that any suit, action or proceeding arising out of or relating to this Agreement shall be instituted only in the courts of the State of South Carolina or the United States District Court for the District of South Carolina, United States of America. Each party waives any objection it may have now or hereafter to laying of the venue of any such suit, action or proceeding within the State of South Carolina.

(B) The State of South Carolina expressly reserves its sovereign immunity and its immunity under the Eleventh Amendment of the United States Constitution.

XII. ENTIRE AGREEMENT CLAUSE

The Contract Documents, as defined in paragraph XIII below, set forth the entire understanding of the parties with respect to the subject matter hereof and incorporate and merge any and all

previous agreements, understandings and communications, oral or written, with respect to the subject matter hereof.

XIII. CONTRACT DOCUMENTS AND PRECEDENCE

(A) The Consultant and the Client agree to be governed by the terms and conditions set forth in this Agreement, including all Exhibits and/or Schedules attached hereto, and any amendments to this Agreement, or its Schedules and Exhibits, the RFP, and the Consultant's Proposal ("CONTRACT DOCUMENTS"). In the event of any dispute between the parties with regard to the meaning of these documents, the order of precedence shall be, with the lower numbered documents taking precedence over higher numbered items, as follows:

1. This Agreement;
2. Consultant's Proposal entitled: "_____", consisting of ____ pages, which is incorporated herein by reference;
3. The RFP dated April 7, 2004, which is incorporated herein by reference.

The document with the lower number will be deemed dominant and the document with the higher number will be subsidiary. The dominant documents must be interpreted and construed as a whole before attempting to reconcile a subsidiary document.

(B) This Agreement has been extensively and fully negotiated between the Consultant and Client. Therefore, the provisions of this Agreement shall be interpreted fairly and without regard to the identity of any party drafting any provision at issue.

XIV. NON-ASSIGNMENT

This Agreement may not be assigned by either party except with the prior written consent of the other party.

XV. SEVERABILITY

In the event that a court of competent jurisdiction considers any provision of this Agreement ineffective, unenforceable, void, voidable, illegal or invalid for any reason, such provision shall be of no force and no effect only to the extent that it is so declared ineffective, unenforceable, void, voidable, illegal or invalid. All of the provisions of this Agreement not specifically found to be so deficient shall remain in full force and effect.

XVI. FORCE MAJEURE

If either party is rendered unable by force majeure, or any other cause of any kind not reasonably within its control, wholly or in part, to perform or comply with any obligation or condition of this Agreement, upon such party's giving timely notice and reasonably full particulars to the other party such obligation or condition shall be suspended during the continuance of the inability so caused and such party shall be relieved of liability and shall suffer no prejudice for failure to perform the same during such period. The cause of the suspension shall be remedied so far as possible with reasonable dispatch.

The party that is unable to perform according to the terms of this Agreement due to an occurrence covered by this provision shall immediately notify the other party of any change in circumstances giving rise to the suspension of its performance and of its resumption of performance under this Agreement.

The term "FORCE MAJEURE" shall include, without limitation by the following enumeration, acts of God, and the public enemy, the elements, fire, accidents, breakdowns, strikes, and any other industrial, civil or public disturbance, or any act or omission beyond the reasonable control of the party having the difficulty, and any restrictions or restraints imposed by laws, orders, rules, regulations or acts of any government or governmental body or authority, civil or military.

XVII. TERMINATION DUE TO NON-AVAILABILITY OF FUNDS

Funds for this Agreement are payable from assets of the South Carolina Retirement Systems. In the event no funds or insufficient funds are available and/or budgeted in any fiscal year for payments due under this Agreement, or there is no further need for the services acquired hereunder, then the Client shall immediately notify Consultant of such occurrence, and this Agreement shall create no further obligation of the Client as to such current or succeeding fiscal year, and shall be null and void, except as to the portions of payments herein agreed upon for funds which shall have been appropriated and/or budgeted. In such event, this Agreement shall terminate on the last day of the fiscal year for which funds were available, without penalty or expense to the Client of any kind whatsoever. Subsequent to such termination of this Agreement, the Client and the Consultant shall have no continuing obligation to render services under this Agreement except as in Sections II (B) and (D). No right of action or damages shall accrue to the benefit of the Consultant or its assignee as to that portion of this Agreement that may so terminate. The Client shall provide the Consultant with written notice of not less than thirty (30) Business Days prior to the date of cancellation, if such time is available. If Client is unable to provide Consultant with written notice of at least thirty (30) Business Days, Client shall notify Consultant of its inability to perform the applicable provision of this Agreement as soon as practicable. In the event of an occurrence of the circumstances described immediately above, the Consultant shall not prohibit, or otherwise limit, the Client's right to pursue and contract for alternate solutions and remedies as deemed necessary by the Client for the conduct of its affairs. All provisions stated herein shall apply to any amendment or the execution of any option to extend this contract. The Consultant shall be entitled to compensation for services rendered pursuant to this Agreement prior to such date of cancellation or termination.

XIII. LIABILITY INSURANCE

During the entire term of this Agreement and any renewals or extensions thereof, the Consultant shall maintain insurance coverage (herein referred to as "REQUIRED COVERAGE") of the types and minimum limits stated below:

Type	Limit
Commercial General Liability	\$ ____ each occurrence and \$ ____ in the aggregate
Professional Liability	\$ ____ each claim and \$ ____ in the aggregate
Fiduciary Responsibility	\$ ____

Upon request the Consultant shall furnish the Client with certificates of insurance for the required coverage. A CERTIFICATE OF INSURANCE IS NOT VALID UNLESS

COUNTERSIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE INSURANCE COMPANY. The Consultant shall have the Client added as an additional insured on the Commercial General Liability insurance with respect to the Client's vicarious liability arising out of the Consultant's provision of services hereunder.

Any Key Employee who purchases insurance for protection from personal liability or losses occurring because of a breach of duty under Chapter 16, Title 9 of the South Carolina Code of Laws or relating to the services performed under the terms of this Agreement shall notify the Client and the South Carolina Retirement Systems within twenty (20) Business Days of the effective date of such policy.

Consultant shall not allow any policy providing required coverage to expire, be canceled or materially changed without thirty (30) Business Days written notice to the Client.

By obtaining the required coverage, Consultant's liability is not limited in any way.

XIX. INDEMNIFICATION

(a) Consultant shall indemnify and hold harmless Client and its officers and employees and their respective successors and assigns (collectively, the "Client Parties") for any liabilities, losses, damages, attorneys' fees, costs, or expenses (including, without limitation, costs of investigation) which the Client Parties may incur in connection with this Agreement, or the transactions contemplated hereby, arising from or relating to Consultant's breach of its obligations under this Agreement, negligence, misconduct, bad faith, or fraud. Client's or Client Parties' rights hereunder are cumulative to any rights it may otherwise have in law or equity.

(b) Upon receipt by Client or any Client Parties of any claim with respect to which it may be entitled to indemnification under this section, the Client shall promptly notify Consultant in writing thereof, enclosing a copy of all papers, if any, served; provided, however, Client's failure or delay in so notifying Consultant shall not affect Consultant's liability hereunder.

(c) Consultant shall not settle any claim without the prior written consent of the Client, which consent shall not be unreasonably withheld.

XX. AFFIRMATIVE ACTION (ANTI-DISCRIMINATION)

Consultant shall comply with all applicable federal and state requirements concerning fair employment and employment of the handicapped, and concerning the treatment of all employees, without regard to or discrimination by reason of race, color, religion, sex, national origin or physical handicap.

XXI. COMPLIANCE WITH STATE LAW & INDUSTRY STANDARDS

During the term of this Agreement, Consultant shall comply with all applicable provisions of laws, codes, ordinances, rules and regulations, tariffs, and industry standards.

XXII. MAINTAIN LICENSES AND DISCLOSURE OF CHANGES TO REGISTRATIONS

(A) During the term of this Agreement, the Consultant shall have and maintain, in good standing, all licenses (including professional licenses, if any), permits, and inspections, including any related fees for any such licenses, permits and/or inspections, required by any state,

county, city or other government entity or unit to accomplish the work specified in this Agreement.

(B) Within ten (10) Business Days of the Effective Date, Consultant shall provide the Client with a complete copy of its latest Form ADV as it is on file with the Securities and Exchange Commission. In addition, the Consultant shall promptly provide the Client with a complete copy of any amendment to Form ADV during the term of this Agreement.

(C) Notwithstanding any other provision of this Agreement, Consultant shall disclose to Client within one (1) business day:

- (i) any known investigation by federal or state agencies or self-regulatory organization of Consultant (for lack of doubt, a routine examination shall not be considered an investigation);
- (ii) any known complaint against Consultant filed with a federal or state agency or self-regulatory organization;
- (iii) any known proceeding naming Consultant before any federal or state agency or self-regulatory organization;
- (iv) any fine, penalty, censure or other disciplinary action taken against Consultant.

XXIII. CORPORATE CHANGE

The Consultant shall notify the Client of any material changes in the Consultant's structure or personnel within ten (10) Business Days of the change. The Consultant shall notify the Client of any material changes in the ownership of Consultant or any entity which has a material ownership interest in the Consultant within ten (10) Business Days of the change. A change of thirty percent (30%) or more in ownership is considered a material change for purposes of this provision.

XXIV. DRUG-FREE WORKPLACE

In accordance with S.C. Code Ann. Section 44-107-60, as amended, this Agreement is subject to immediate termination, suspension of payment, or both, if the Consultant fails to comply with the terms of the Drug Free Workplace Act, codified at S.C. Code Ann. Sections 44-107-10, *et seq.*

XXV. HEADINGS

The headings used in this Agreement are for the convenience of reference only and shall not effect the meaning or operation of this Agreement.

XXVI. NOTICE

(A) Any and all notices shall be in writing and shall be deemed duly given (1) upon actual delivery to the person identified below, if delivery is by hand, (2) upon receipt by the transmitting party of confirmation or reply, if delivery is by facsimile, telex or telegram; or (3) three Business Days after deposit into the United States mail, if delivery is by certified mail return receipt requested. Each such notice shall be sent to the respective party at the following

address or to any other address as the respective party may designate by notice delivered pursuant hereto.

(B) All notices required by this Agreement shall be directed to the following:

As to the Client:

South Carolina Budget and Control Board
c/o South Carolina Retirement Systems
Attn: _____
Post Office Box 11960
Columbia, South Carolina 29211
Facsimile: (803) 737-6947

As to the Consultant:

XXVII. WAIVER

(A) No waiver by either party of any provision of this Agreement shall constitute a subsequent waiver of the same or any other provision.

(B) Neither the failure of the Client at any time to require performance by the Consultant of any provision of this Agreement, nor the continued payment of Consultant by the Client, shall in any way effect the Client's right to enforce any provision of this Agreement. The Client's or Consultant's waiver of any breach of any provision of this Agreement shall not be construed or held to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself.

XXVIII. FIDUCIARY STATUS

The Consultant, by execution of this Agreement, acknowledges (a) that, with respect to its investment advice, it is a fiduciary as defined in S.C. Code Ann. Section 9-16-10(4); (b) that it must discharge, with respect to its investment advice its fiduciary duties consistent with Section 9-16-40; (c) that as a fiduciary, it is liable as set forth in Section 9-16-70; (d) that any agreement purporting to limit its liability as a fiduciary is void under Section 9-16-70(B); and (e) that, consistent with Section 9-16-70(D), it must disclose the terms of certain liability insurance. The consultant shall not be responsible for the breach by any other fiduciary. The Consultant's responsibility does not include discretionary control of the assets in the Portfolio.

XXIX. LIMIT OF TYPES OF INVESTMENTS

In providing the services outlined in Exhibit A, Scope of Services, Consultant shall consider investment managers with investment disciplines consistent with investing in the types of securities authorized by S.C. Code Ann. Section 9-1-1310.

XXX. S.C. CODE ANN. SECTION 11-9-105

As provided in this Agreement, the Consultant shall complete all services outlined in Exhibit A, Scope of Services. In the event all services are not fully rendered as provided in this Agreement, any monies which have been pre-paid by the Client under this Agreement for services not yet rendered must be refunded to the Client along with a twelve percent (12%) penalty for failure to perform. Payment made pursuant to this provision shall not be construed as a waiver by Client of any claim, or mitigation or satisfaction of damages that may be payable.

XXXI. SIGNATURES

The signatories hereunder warrant and declare that they are duly authorized to execute this Agreement by virtue of their position and title and are signing on behalf of their respective entity by virtue and strength thereof, or of a resolution duly considered and passed by a duly authorized and constituted authority or body of their respective entity. Further, it is stipulated and agreed by the parties that this Agreement shall be binding upon their respective entity, officers, employees, agents, affiliated organizations, shareholders, and the heirs, successors and assigns of each.

(Consulting Firm Name)

BY: _____

Title:

Date: _____

South Carolina Budget and Control Board

BY: _____
Peggy G. Boykin

Title: Director, South Carolina Retirement Systems

Date: _____

EXHIBIT A

SCOPE OF SERVICES

The scope of services for this contract between the South Carolina Budget and Control Board ("BOARD") acting as trustee of the retirement plans administered by the Division of Retirement Systems ("SOUTH CAROLINA RETIREMENT SYSTEMS") and the State Retirement Systems Investment Panel ("PANEL"), herein referred to collectively as the "CLIENT", and _____ ("CONSULTANT") includes the following consulting services as related to the development and oversight of the Equity Investment Portfolio:

FORMULATION OF A STATEMENT OF INVESTMENT OBJECTIVES

During each Fiscal Year this Agreement is effective, and more often as requested by the Board or Panel, the Consultant shall:

- Advise and draft a Statement of Investment Objectives ("OBJECTIVES") that satisfies the requirements of S.C. Code Ann. Sections 9-16-50(B) and 9-16-330(A) for the Board. The Consultant shall consider input from the Client and include the circumstances detailed in S.C. Code Ann. Section 9-16-50(A)(1) & (5) in the Objectives. The proposed Objectives prepared by the Consultant shall be delivered to the Client each Fiscal Year no later than April 1st and shall address the fiscal year following the fiscal year in which it is prepared.

FORMULATION OF AN ANNUAL INVESTMENT PLAN

During each fiscal year this Agreement is effective, and more often as requested by the Board or Panel, the Consultant shall:

- Advise and provide a draft to the Panel of an Annual Investment Plan that satisfies the requirements of S.C. Code Ann. Sections 9-16-320, 9-16-330(B) & (C), and 9-16-340(C). The Consultant shall consider input from the Client and include the items detailed in S.C. Code Ann. Section 9-16-330(B)(1) through (7) in the proposed Annual Investment Plan. The Consultant shall deliver the proposed Annual Investment Plan to the Panel's staff each Fiscal Year no later than April 1st. The Annual Investment Plan shall address the fiscal year following the fiscal year in which it is prepared.
- Assist to the degree desired by the Panel in the presentation of the Annual Investment Plan to the Board.
- Provide advice and recommendations as needed for amendments to the Annual Investment Plan during any fiscal year covered by this Agreement.

DEVELOPMENT AND CONTINUING REVIEW OF A STATEMENT OF INVESTMENT POLICY GUIDELINES AND PERFORMANCE STANDARDS FOR THE EQUITY PORTFOLIO

The Consultant shall:

- Assist the Client in the preparation of an Investment Statement of Investment Policy Guidelines and Performance Standards for the Equity Portfolio ("STATEMENT"). This Statement will serve as written documentation of the Client's decisions regarding portfolio structure, allowable investments, investment restrictions, guidelines, and performance objectives.
- Update policy (as needed) to reflect any changes which result from the implementation of the Annual Investment Plan.

DEVELOPMENT OF PORTFOLIO STRUCTURE

As needed or requested by the Board or Panel, the Consultant shall:

- Assist the Board or Panel in the analysis of various alternative equity portfolio structures with an objective of establishing the most efficient, cost effective and prudent method of gaining exposure to the equity markets.
- Explore passive versus active management, as well as the impact of various investment styles (e.g., growth, value, etc.), management disciplines and portfolio exposures (e.g., capitalization exposure, etc.).
- Evaluate the opportunity for enhanced returns relative to any increased risk (tracking error) exposure introduced through the use of additional managers and styles.
- Develop strategies which comply with the Board's or Panel's policies and Chapter 16 of Title 9 of the South Carolina Code of Laws and which reflect the current theoretical and practical knowledge of this asset class.
- Design implementation plans which provide a basis for entry into the markets in an orderly, cost effective and efficient manner.

REVIEW OF ASSET ALLOCATION

As needed or requested by the Client, the Consultant shall:

- Review asset allocation strategies to promote consistency with the long-term return objectives, funding policies, and risk tolerance. The Consultant must consider the South Carolina Retirement Systems' Portfolio in developing asset allocation strategies.
- Review the underlying capital markets assumptions utilized by (Consultant) and seek input from the Board or Panel.
- Define the expected long-term return and volatility characteristics of the current portfolio structure as well as the exposures associated with any additional allocation to the equity markets, using the portfolio structure defined by the Panel and adopted by the Board.

QUARTERLY REVIEW AND EVALUATION OF THE EQUITY PORTFOLIO MANAGERS

Within 20 days after receipt of timely and accurate bank statements and/or tapes for conversion from the Custodian, the Consultant shall provide the following to the Client:

- Provide quarterly written reports of the investment performance of the equity portfolio, including review of:
 - Total equity portfolio asset mix
 - Investment advisor structure
 - Performance provided by each investment management firm
 - Capital market index performance for appropriate benchmarks
 - Performance of the overall equity fund relative to its specific objectives and the Panel's expectations
 - Peer group comparative analysis by manager
 - Qualitative review of style exposure
 - Qualitative updates, as needed, regarding managers' organizational structure, significant changes in business status, personnel, and current strategy
 - Historic performance for each manager's composite as well as the performance specifically calculated for the South Carolina Retirement System portfolio.

- Assist the Client in preparing written quarterly reports as required by S.C. Code Ann. Section 9-16-90. The reports must include, but not be limited to, the following information:
 - Net and gross rates of returns for the portion of the Total Fund that is invested in equities as well as for each equity investment manager/portfolio and equity asset category. Results will be reported on, at least, a fiscal year-to-date, one-, three-, five-, and ten-year basis.
 - Appropriate benchmarks for each manager/equity asset category will be determined and performance results reported.
 - Appropriate universes for each manager/equity asset category will be determined and reported.
 - A review of risk
 - Qualitative analysis of each manager, including value-added analysis.
 - A complete report, disclosing all fees for each manager/equity asset category as well as for the total equity portion of the Total Fund. The report should also include investment consulting and custodial fees, if any.
 - Detail of each manager's compliance with the Annual Investment Plan and the Equity Investment Statement of Investment Policy Guidelines and Performance Standards.
 - Fiscal-year-end reports must also include a schedule of all assets held as reported by the custodian.
 - Consultant will also provide an independent review of reports received from equity investment manager(s) and custodian(s).

DELIVERY OF QUARTERLY REPORTS TO THE PANEL

The Consultant shall provide the Client with:

- Personal presentations by your primary consultant (or an approved back-up in the case of unavoidable absences) on a quarterly basis. The primary purposes of the presentations will be:
 - Review the information contained in the quarterly report
 - Formulation of any necessary action steps regarding changes to the investment policy
 - Explore and evaluate (as needed) the implications of exposure to various asset classes or sub-asset classes
 - Discuss the retention or termination of investment managers
 - Develop changes in the Annual Investment Plan to be proposed to the Board
 - Identify issues for further research and evaluation as related to the equity portfolio.

DELIVERY OF ANNUAL REPORTS TO THE PANEL

The Consultant shall provide the Client with:

- An Annual Report that satisfies the requirements of S.C. Code Ann. Section 9-16-90(B). The annual report shall be delivered to the Client no later than October 1 of each year that this contract is in effect. Consultant shall make reasonable changes to the annual report as requested by Client.

CONDUCT EQUITY MANAGER SEARCHES

The Consultant shall provide the following services related to the Equity Portfolio for Client as needed or as requested by Client:

- Assist in the evaluation and selection of new or replacement investment managers. Establish candidate identification criteria based upon the Equity Investment Statement of Investment Policy Guidelines and Performance Standards and input from the Client.
- Conduct a thorough, comparative, qualitative and quantitative analysis of preferred candidates identified through the screening and analysis processes as offering the discipline sought.
- Present a written report to the Panel or Board profiling candidates under consideration.
- Assist the Panel or Board in the process of selecting candidates for personal interview.
- Manage the interviewing process.
- Assist in the identification of the most suitable or desirable firm(s).
- Provide assistance in the transition and implementation process.

TRANSACTION COST ANALYSIS (ANNUALLY)

During each fiscal year this Agreement is effective, beginning with the completion of four calendar quarters of investment in a separately managed equity account(s), the Consultant shall:

- Assist the Panel or Board in evaluating the efficiency and effectiveness of each equity investment management firm's trading activity for separately managed accounts.
- Report the total cost of trading (commission cost plus market impact) for the total separately managed equity portfolio and each equity manager, using comparative universes.
- Consultant will utilize the methodology developed by Berkowitz and Logue for the Department of Labor's evaluation of transaction costs unless Consultant provides Client with prior written notice that it intends to change its methodology. Consistent with the methodology used by Consultant, the Consultant shall evaluate both commissions paid and market impact (pricing competitiveness).
- The cost to provide more than one transaction cost analysis in any Fiscal Year will be negotiated between the Client and Consultant.

GENERAL PROVISIONS RELATING TO THE SCOPE OF SERVICES

- Meetings with the Panel or Board: Whenever Consultant is obligated to seek input from the Panel or Board, make a recommendation to the Panel or Board, or otherwise communicate with the Panel or Board, Consultant shall, upon the Panel's or Board's request, meet with the Panel or Board at a place of their choosing within the State of South Carolina.
- Communications with the Panel or Board: Whenever Consultant is obligated to seek input from the Panel or Board, make a recommendation to the Panel or Board, or otherwise communicate with the Panel or Board, Consultant shall communicate only with the Panel, Board, or agents or designees of the Panel or Board unless otherwise directed by the Panel or Board.
- From time to time, Panel, Board, or Retirement Systems' staff requires technical assistance in responding to inquiries from various parties. The Consultant will provide technical assistance to staff on a timely basis and will provide access to a principal consultant and a primary alternate consultant for technical assistance. Such technical assistance may be required to be furnished in writing.

EDUCATIONAL SEMINARS

Annually when requested by the Panel or Board, the Consultant shall:

- Provide an educational seminar to address a specific topic of interest as requested by the Panel or Board.
- Arrange appropriate speakers. Speakers may include the senior consultant responsible for the relationship, specialists representing Mercer's research consultants from the Global Resource Group, other Mercer personnel with expertise on a particular issue, and/or speakers from other related or unrelated firms.
- The cost to provide more than one educational seminar in any Fiscal Year will be negotiated between the Client and Consultant.

EXHIBIT B

FEE SCHEDULE

Effective Date: _____

The following is the fee schedule for services to be rendered to the South Carolina Budget and Control Board ("BOARD") acting as trustee of the retirement plans administered by the Division of Retirement Systems ("SOUTH CAROLINA RETIREMENT SYSTEMS") and to the State Retirement Systems Investment Panel ("PANEL"), herein referred to collectively as the "CLIENT", by _____ ("CONSULTANT") in accordance with the terms of this Agreement and as authorized by S.C. Code Ann. Sections 9-16-320(E) and (G) and 9-16-340(A):

(Fees as negotiated by the parties)

The fees charged will be for services rendered during the current Fiscal Quarter. The fees charged shall be computed quarterly at a rate of $\frac{1}{4}$ of the schedule set forth above based on the total asset value of the South Carolina Retirement Systems Equity Portfolio as of the most recent quarter end and as provided by the Custodian. Notwithstanding the foregoing, the fees shall be subject to a minimum fee of \$____ per month and a maximum of \$____ per month.

Out-of-pocket expenses will be billed separately at cost, as incurred.

Any services which are provided to the System and which exceed the Scope of Services would be negotiated separately in advance of providing such service.

EXHIBIT C

KEY EMPLOYEES LIST

The following is a list of Key Employees of _____ who will be performing services pursuant to this Agreement: